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Message Text

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43
ACTION NEA-10

INFO OCT-01 ISO-00 TRSE-00 ABF-01 L-03 AID-05 IGA-01 EB-07

OMB-01 CIAE-00 INR-07 NSAE-00 FRB-01 AGR-10 SS-15

NSC-05 SP-02 FSE-00 H-02 /071 W
---------- 045801
R 041215Z JUN 75
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC 2845

UNCLAS COLOMBO 1767

EO 11652: N/A
TAGS: PINT, PFOR, CE
SUBJ: PRIME MINISTER REFUTES ALLEGATIONS RE PL-480 RUPEES

REF: COLOMBO 1676

1. IN RESPONSE QUESTIONS OF TWO MP'S DURING
NATIONAL STATE ASSEMBLY MEETING
JUNE 3, PRIME MINISTER BANDARANAIKE MADE FOLLOWING
STATEMENT ON ISSUE OF PL-480 RUPEES:

2. BEGIN TEXT: WHEN I WAS OUT OF THE ISLAND RECENTLY
TO ATTEND THE COMMONWEALTH PRIME MINISTERS CONFERENCE
IN JAMAICA A STATEMENT HAD BEEN MADE BY THE MINISTER
OF FINANCE IMPLYING THAT THE UNITED STATES EMBUKSY HAD
BEEN MISUSING PL-480 FUNDS IN SRI LANKA FOR
POLTICAL PURPOSES.

THIS STATEMENT APPEARS TO HAVE BEEN
BASED ON A REQUEST MADE BY THE UNITED STATES EMBASSY
TO WITHDRAW RS 3.5 MILLION IN APRIL THIS YEAR.

AS THIS STATEMENT HAD RECEIVED WIDEST PUBLICITY I HAD
INVESTIGATIONS MADE INTO THE MATTER AS
SOON AS I RETURNED.

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I FIND THAT THE US EMBASSY HAD

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WITHDRAWN RS 1 MILLION IN APRIL FOR NORMAL
OPERATING EXPENSES OF THE EMBASSY AND HAD REQUESTED
THE WITHDRAWAL OF AN ADDITIONAL RS 2.5 MILLION TO
BE DEPOSITED IN GRINDLAYS BANK FOR THE PURPOSE OF
EARNING INTEREST. ON ACCOUNT OF THE SHORTAGE OF
CASH, THE TREASURY HAS BEEN ABLE TO RELEASE ONLY
RS 1.5 MILLION (SIC). THE AMERICAN AMBASSADOR HAS
INFORMED ME THAT THIS AMOUNT IS NOW IN A TIME
DEPOSIT IN GRINDLAYS BANK.

I MIGHT MENTION THAT ACCORDING TO FACTS
AVAILABLE TO ME THAT THE US EMBASSY
HAD BEEN WITHDRAWING SUMS OF PL-480 FUNDS
FROM TIME TO TIME TO BDEDEPOSITED IN COMMERCIAL
BANKS. ON THE FIGURES OF WITHDRAWALS AND OTHER
MATTER AVAILABLE TO ME I HAVE COME TO THE CONCLUSION
THAT THERE HAS NOT BEEN ANY MISUSE OF THESE FUNDS.

HOWEVER I HAVE INQUIRED FROM THE FINANCE MINISTER
WHETHER HE HAS ANY FURTHER INFORMATION ON THIS
MATTER AND IF SO TO SEND IT TO ME IN ORDER THAT I
MAY DECIDE WHAT FURTHER ACTION IF ANY IS
NECESSARY. END TEXT.

3. PRIME MINISTER'S STATEMENT RECEIVED PROMINENT
FRONT-PAGE TREATMENT IN ALL ENGLISH-LANGUAGE
MORNING AND AFTERNOON NEWSPAPERS. GOVERNMENT-
CONTROLLED CEYLON DAILY NEWS HEADLINED STORY
"NO MISUE OF PL-480 FUNDS: PREMIER", AND SIMILAR
HEADLINES APPEARED IN CEYLON OBSERVER (GOVERNMENT-
CONTROLLED), CEYLON DAILY MIRROR, AND TIMES OF
CEYLON. FOUR SINHALA
AND TWO TAMIL DAILIES CARRIED STATEMENT, MOST ON
FRONT PAGE. PRIME MINISTER'S STATEMENT WAS ALSO
CLOSELY PARAPHRASED IN FULL IN NEWS BROADCASTS
OF GOVT-CONTROLLED SRI LANKA BROADCASTING
CORPORATION.

4. AMB HAS CONVEYED TO PRIME MINISTER
THROUGH DEPUTY FOREIGN MINISTER LAKSHMAN JAYAKODY HIS
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THOROUGH APPRECIATION FOR
HER STATEMENT WHICH SATISFACTORILY CORRECTS
THE RECORD.
VAN HOLLEN

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